

CLASSIFICATION **CONFIDENTIAL** / CONTROL - U.S. OFFICIALS ONLYCENTRAL INTELLIGENCE AGENCY REPORT NO. **CONFIDENTIAL**

## INFORMATION REPORT

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1. The two Communist representatives attached to the China Textile Industries, Incorporated (CTII), in Tsingtao are not factory men nor are they experienced in business. They are political students and so far have only delivered long lectures to the CTII staff.
2. Many of CTII's original employees were members of the Communist underground or Communist sympathizers. The manager, FAN Cheng-chuan, is said to have given lodging to the present Communist mayor of Tsingtao, MA Pao-san, for about two months before the Communist occupation of Tsingtao (1 June 1949). The assistant manager, WANG Hsin-yuan, is particularly pro-Communist and is very eager for the current regime to succeed.
3. CTII mills have 360,000 spindles, of which 87,000 were renovated during the past three years under the current management. Communist plans for CTII include its expansion to one million spindles within ten years, with an increase to 700,000 spindles within five years.
4. To cover the wages of the operating and executive staffs, a profit of at least 20 percent over raw cotton, material and power costs must be made. Operating losses have been large during the past two months because the mills have only been working one shift four days weekly and wages must be paid.
5. By the middle of June the Communist Bureau of Industry and Commerce had brought 10,000 piculs of raw cotton from the Kaomi district to Tsingtao for CTII. About 30,000 piculs were said to be available in Tsinan. It was estimated that two-thirds of the raw cotton requirements for full-time mill operation would be produced in Shantung, and the import of about 20,000 bales of raw cotton would be needed to keep the mill operating full time during the winter months. Because of the drought and the resultant crop failure the import estimate now stands at well over 50,000 bales, and the CTII officials are worried about the means of obtaining the raw cotton.
6. The cotton yarn and cloth produced is sold through the official Communist sales agency, which controls the price. There is relatively little black

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market activity in cloth. However, the controlled price of the cloth, although impressive to the populace, is a loss to the factory. The stocks of cotton cloth remaining with CTII after the Nationalist Army and Navy had taken their share of "squeeze" were taken over by the Communist Military Control Board.

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